

MEDIA AND SOCIAL MEDIA IMPACTING THE POLITICAL SCENE & COMMERCIAL MARKET

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Abstract:

Economists are interested every day in the evolution of the markets. Nowadays, more and more mass media and social media are getting a higher important point on the evolution of the world. This is why these get to be more and more important. Taking into consideration the importance of presidents announcing trends on social media, it is of great value a capitalization of it. This is what this paper intends to find out and expose. Social has become the most important place of assimilation and or consumption of information and therefore is influencing the political directions and the markets.

Key words: Media, Social Media, Markets, media impacting the market, worldwide, mass media

JEL classification: L82

1. INTRODUCTION

Economists are interested every day in the evolution of the markets. It is a fact that you may become even president if you have the media and social media with you. It is also a fact that you may not become a president if you don't. Thinking of these facts, this article tries to find out how are media and social media impacting the markets.

Nowadays, more and more mass media and social media are getting a higher important point on the evolution of the world. This is why these get to be more and more important. Taking into consideration the importance of presidents announcing trends on social media, it is of great value a capitalization of it. This is what this paper intends to find out and expose.

For the sake of having fun, but not necessarily untrue, there is a joke circulating in the traders world. We have 2 international indices anticipating the markets. There is also mr. Trump's Tweets every 2 weeks ruining all the anticipations. These is how we see how important social media is nowadays. This is where and how the political and commercial markets meet. The politicians are promoted using money and the money comes from the markets. Unfortunately, these two sides that were not supposed to be correlated, get to meet.

2. MEDIA VS. SOCIAL MEDIA

You are maybe one of those that think that social media is for the young people and that you can't be influenced a lot from this separate world. You may be right but you may also be very, very wrong. And Donald Trump tweeting every 2 weeks is sure sign you might be wrong. A big, strong title on Bloomberg says: "It's been 3 days since Trump last tweeted about the markets and the economy..." If Bloomberg is talking about it, than the world is talking about it. If the world is talking about it, than the financial world is talking about it.



Figure 1. Trump tweeting on October 2019 [1]

<https://www.bloomberg.com/features/trump-tweets-market/>

You might say “what the big deal”. But, still, Bloomberg says “President Donald Trump gets a lot of attention for using Twitter to attack American trading partners, political foes, and media companies. But he often takes to the platform to celebrate the strength of the world’s largest economy and its publicly-traded companies.”[1] Some may ask why he is doing that. Since January, his administration tried to draw a direct connection between the increase in market value of American companies and his administration’s pro-growth policies. And they did that on more than 10 occasions only in October 2019. And here comes the big deal that you may wait. Two factors prompted Bloomberg to link Trump’s tweets to the Dow Jones Industrial Average, rather than other indexes. The 30 blue-chip American corporations that comprise this price-weighted gauge engage in business all over the world, and therefore their gyrations capture the totality of the administration’s global and domestic policy platform. It’s also the equity benchmark that Trump himself has most frequently cited in his tweets to the masses. In figure 1 you may find how his administration sees to deal with “Fake News” and “Phony Witch Hunt”, no doubt about it.

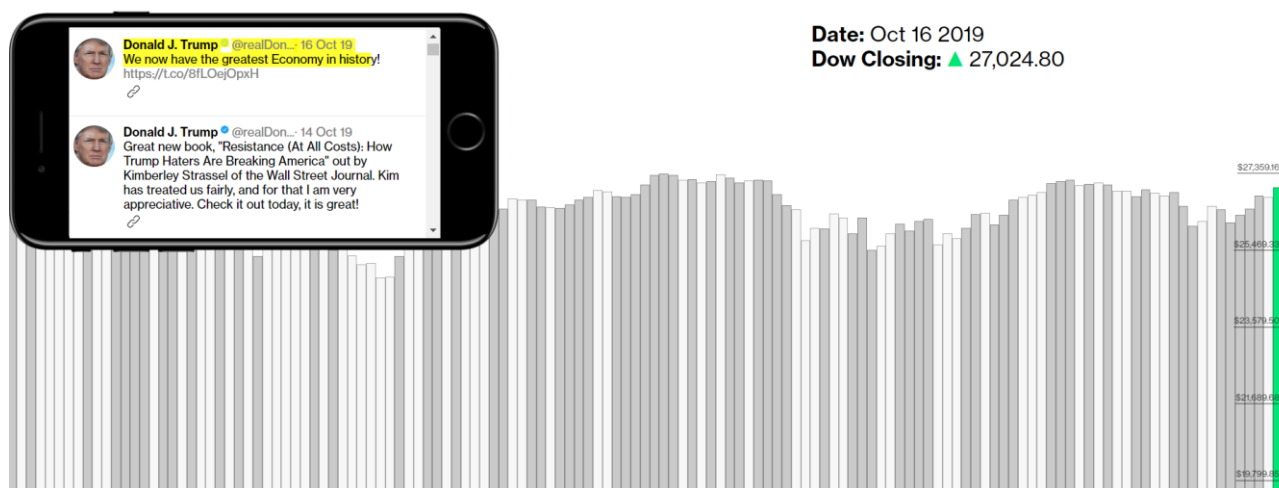


Figure 2. Trump Tweet controlling the market [1]

<https://www.bloomberg.com/features/trump-tweets-market/>

Well, that is Bloomberg. But the well-known CNBC titles: “JP Morgan has created an index to track the effect of Trump’s tweets on financial markets: ‘Volfefe index’” [2] Donald Trump is tweeting more and it’s affecting the bond market. Searching for this info, we found info on the Index on Wikipedia. The Volfefe Index is a stock market index of volatility in market sentiment for US Treasury bonds caused by tweets by President Donald Trump. [3]

In fact, the president’s market-moving tweets ballooned in August as he hammered China on trade and went after the Federal Reserve on interest rates. So, the president of the United States uses social media to control the world market. That is a thing that can’t be denied or not observed.

In an attempt to quantify the impact of Trump's tweets on the bond market, J.P. Morgan devised a "Volfefe Index" to analyze how the president's tweets are influencing volatility in U.S. interest rates. J.P. Morgan found that the index, named after Trump's infamous and still mysterious "covfefe" tweet, explains a measurable fraction of the moves in implied rate volatility for 2-year and 5-year Treasuries. "This makes rough sense as much of the president's tweets have been focused on the Federal Reserve, and as trade tensions are broadly seen as, first and foremost, impactful on near-term economic performance and, likewise, the Fed's reaction to such developments," wrote the authors of the J.P. Morgan report [4]. The people that manager his social media accounts are focused on trade and monetary policy, with key words including "China," "billion" and "products." These tweets are increasingly less likely to receive favorable responses, such as likes or retweets, from the president's followers.

The new Volfefe index seems to alert the political and commercial markets on the importance of social media. It is known that there is a connection between the 2 trends, when we shouldn't have one, but now, it is in front of us. Volfefe was created due to the statistical significance of Trump tweets on bond prices. JPMorgan, one of the oldest financial players in world history, used software to analyze the corpus of Trump's tweets. The world is changing and it seems to be more opened through social media.

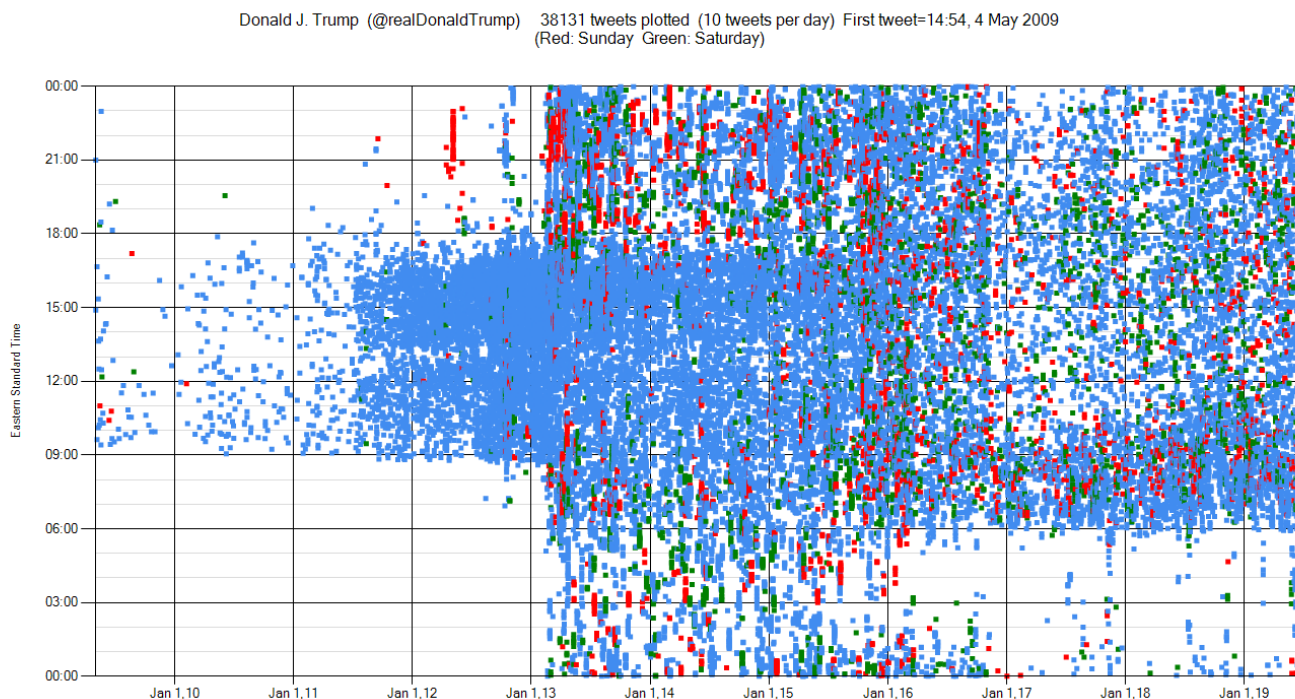


Figure 3. Donald J. Trump @realDonaldTrump Tweeter activity since May 2019. [3] -

https://en.wikipedia.org/wiki/Volfefe_index

But who is Trump on his Twitter habits? Since his election in 2016, Trump has averaged more than 10 tweets a day to his nearly 64 million followers —roughly 14,000 total over that period associated with his personal account, of which more than 10,000 occurred after the 2017 inauguration[3]. Out of about 4,000 non-retweets occurring during market hours from 2018 to the present, only 146 moved the market. This info is very important. Most of Trump's tweets come around noon to 2:00 pm, with a 1:00 pm (GMT-4) tweet roughly three times as likely to arrive at any other hour of the afternoon or evening, according to J.P. Morgan's report.

Days when Trump tweets a lot are also associated with negative stock market returns, according to Bank of America Merrill Lynch. While Trump's twitter activity can disrupt markets with sudden attacks on China trade or the Federal Reserve, he has still been good for the stock market overall. The Dow is up 42% since the 2016 presidential election and 31% since his

inauguration [3]. Savita Subramanian said that “Trade talk, political campaigning and tweets have contributed to volatility, from China to Fed policy to tax policy”. She also said that “And new tariffs announced in August indicate downside risk to our 2019/20 EPS growth forecasts of +2%/+7%, where indirect impacts from hits to corporate or consumer confidence could be significant.”



Figure 4. Donald J. Trump – tweeter account (april 2019) [5]
<https://twitter.com/realdonaldtrump>

As you’ve seen, nor Bloomberg or CNBC say something about TV or newspapers influencing the markets. They only say that his tweets influence the markets. J.P. Morgan has an index on his tweets, not on his TV appearances. The name "Volfefe" references the “covfefe” tweet by Trump [3].

3. THE IMPORTANCE OF SOCIAL ON-LINE

The social media space has become a common place for communication, networking, and content sharing. Many companies seek marketing and business opportunities via these platforms. However, the link between resources generated from these sites and business performance remains largely unexploited. Both managers and financial advisors can profit from the lessons learned in this study.

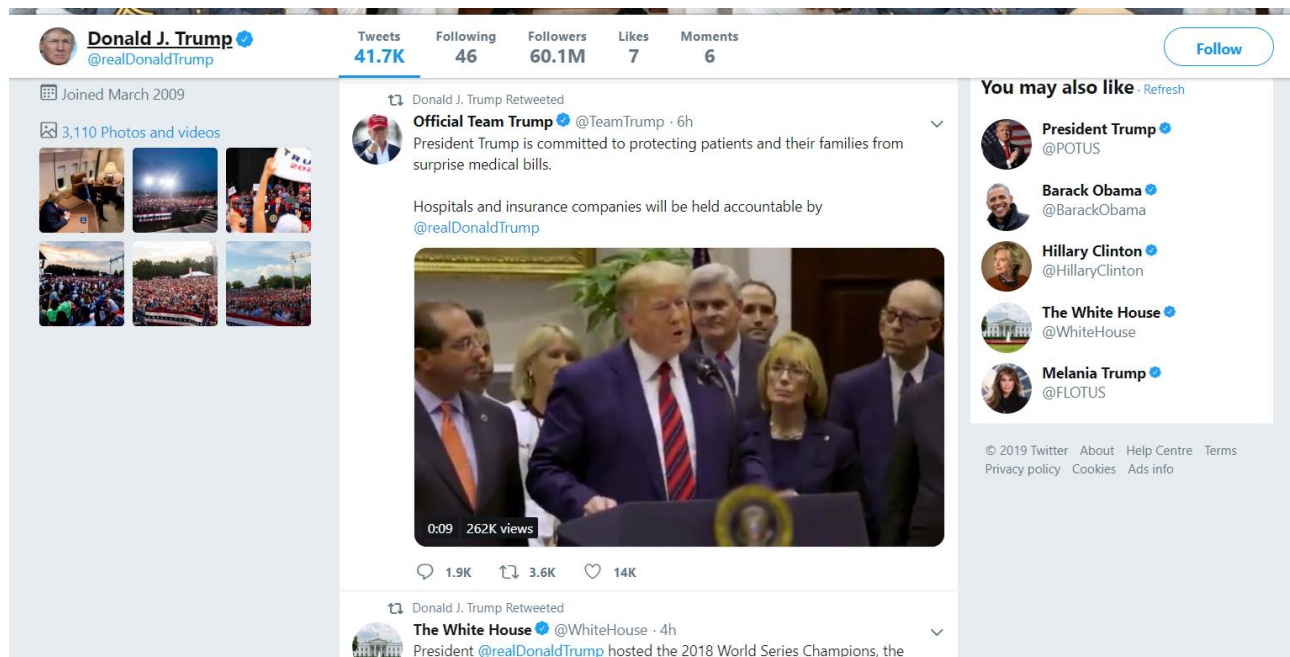


Figure 5. A quite important president [6]
<https://twitter.com/i/status/1126605260611624960>

We conceptualize four channels by which social media impacts financial, operational, and corporate social performance: social capital, customers' revealed preferences, social marketing, and social corporate networking. An empirical test of our framework shows that 'followers' and 'likes' positively influence a firm's share value, but only after a critical mass of followers is attained. Our estimates suggest that Twitter is a more powerful tool to enhance business performance than Facebook.

As you can see in Figure 5, the president of the United States of America has over 60 million followers on Tweeter. Tweeter is a very important social network in USA and UK and this figures mean a lot to the average user. You can also find on the right the suggested accounts. There are the ex-president, Barack Obama, the contra candidate for the White House, Hillary Clinton, and also the president's wife, Melania Trump.

4. THE WHITE HOUSE IS SOCIAL

It is a fact that you need to communicate. If you rule a country as the United States of America, communicating is more important, thinking of the over 329 million citizens it has [7]. That's why The White House is also on Tweeter and it has 18.5 million followers. That is a little bit less than D.J. Trump, but, still, it is a figure.

The WH profile has less followers but can influence more, because it has the USA opinion on it.

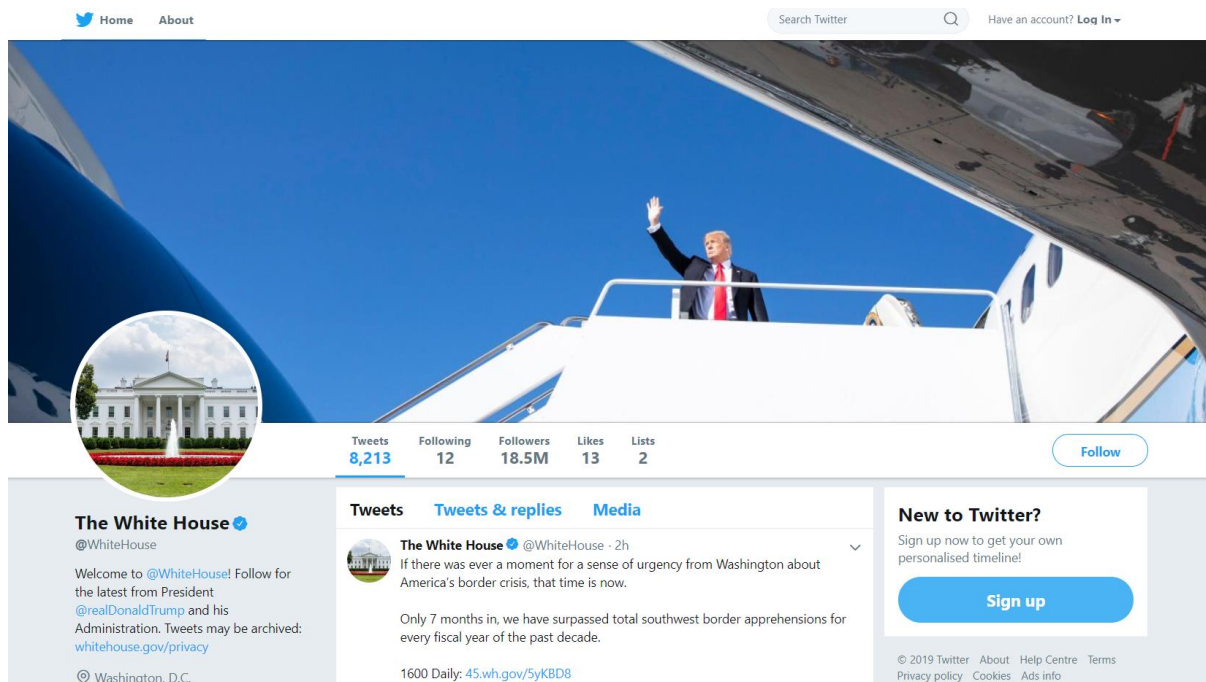


Figure 6. The White House on Tweeter
tweeter.com

The information that is posted gets the interested followers on a link of the government website. Not everybody clicks it, but it is there.

4.1. A star can influence a lot the importance of a post

Tiger Woods is well known among the US citizens. That is why, the president used the moment to tweet and win more followers. Most of his tweets have far less views. But the tweet of Tiger Woods on the president's page got 10x the views (it got to 2.4 million views). As you can see in figure 7, it is a video 35 seconds long.



Figure 7. 2.4M views with Tiger Woods
tweeter.com

The videos have a lot more influence on the people. That is why, starting 2018, every important campaign is on video [8]. Figure 7 is a good example that this strategy works.

5. ROMANIA IS SOCIAL

The Romanian president elected in 2014 and reelected in 2019, Klaus Iohannis is a good example of the “Romania is social” sentence. He got to the residence in Cotroceni (the place the Romanians presidents live) because of a small group of young people that knew how to push the buttons on the PCs. The PCs were connected to the internet and that meant social media. As you can see in figure 8, he has almost 2 million likes and followers. When he first became a president, in 2014, he came with better people on media and social and he did use these channels better, compared to his predecessor. In 2019, he won against the Social Democratic Party’s candidate Viorica Dancila. In the second round, a wave of fake news invaded social media in Romania, just one week before the second round of elections. There was a print screen of the new finance minister, Florin Citu’s Facebook page. That showed the interest in a new tax for Romanians abroad. It was kind of a strong fake news because it had a lot of truth underneath. New Romanian government had troubles because of finance. Still, the governing Liberal Party reported this fake news and said that PSD was behind it.

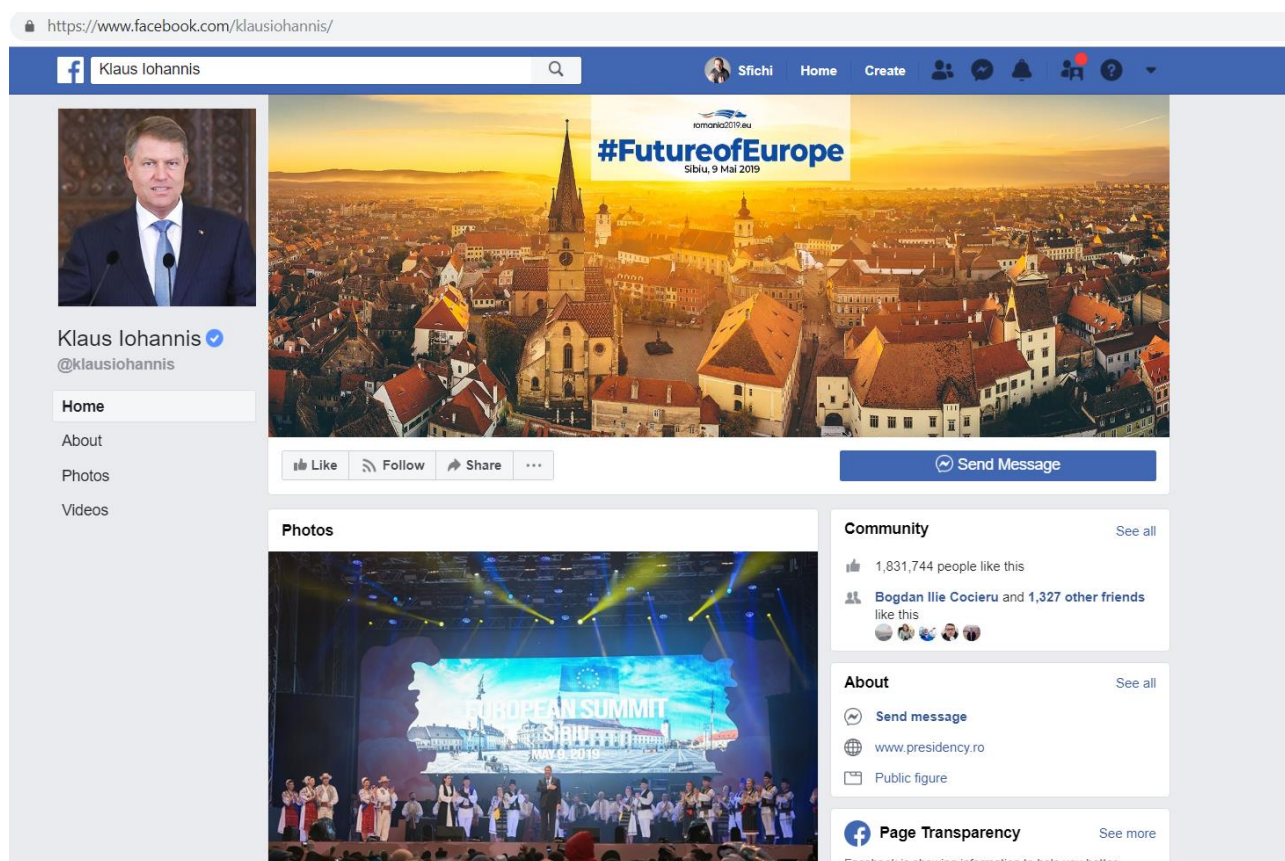


Figure 8. Romania is getting social [9]

<https://www.facebook.com/klausiohannis/>

Traian Basescu has less than half a million followers on Facebook and that says a lot. As you can see, we can use more media to make you understand the way today markets evolve. If a picture makes as much as 1000 words, than a 60 second video made of more images is what?

The same way, brands evolve and the strong ones get more power. The next chapter will try to analyze that.

6. BRANDS AND VALUES

What is the way that the most important companies sell their products? If that was a question asked 20 years ago, the answer was simple: TV, newspapers, billboards, etc. A campaign was necessary and the word would be spread. In 2019, if we try to answer the same question, what would be the answer? The same campaign would be needed. But the way the word would be spread would be a little bit different.

First of all, what would Coca-Cola, Apple, McDonald's, Mercedes Benz and others try to present on their campaigns. 20 years ago, they would try to show their products and to tell everyone the advantages they have. Now, the emotion must be the main character. Coca-Cola sells the emotion of eating, not necessary that of drinking. Apple sells the emotion of having the best. Mercedes Benz sells the emotion of not dying in traffic. That last sentence was short, but it had a lot of brain and people working for these companies these last years.

Rank	Brand	Industry	2012 Brand Value (\$B)
1.	Coca-Cola	Beverages	77.839
2.	Apple	Technology	76.568
3.	IBM	Services	75.532
4.	Google	Technology	69.726
5.	Microsoft	Technology	57.853
6.	GE	Diversified	43.682
7.	McDonald's	Restaurants	40.062
8.	Intel	Technology	39.385
9.	Samsung	Technology	32.893
10.	Toyota	Automotive	30.280
11.	Mercedes-Benz	Automotive	30.097
12.	BMW	Automotive	29.052
13.	Disney	Media	27.438
14.	Cisco	Services	27.197
15.	HP	Technology	26.087
16.	Gillette	FMCG	24.898
17.	Louis Vuitton	Luxury	23.577
18.	Oracle	Services	22.126
19.	Nokia	Electronics	21.009
20.	Amazon	Services	18.625

* Source: [Modi \(2012\)](#)

Figure 9. Brands and values [10]

Modi 2012

If somebody should try to find out how the most valued brands are on social media, they would find that there is a really close connection between the social media followers and the values. Coca-Cola was still no 1 in 2012 (figure 9). After it, Apple and IBM share the same more than 70 billion dollars market. In 2012, Google was growing and Facebook was nowhere near. But what do you think happened next?

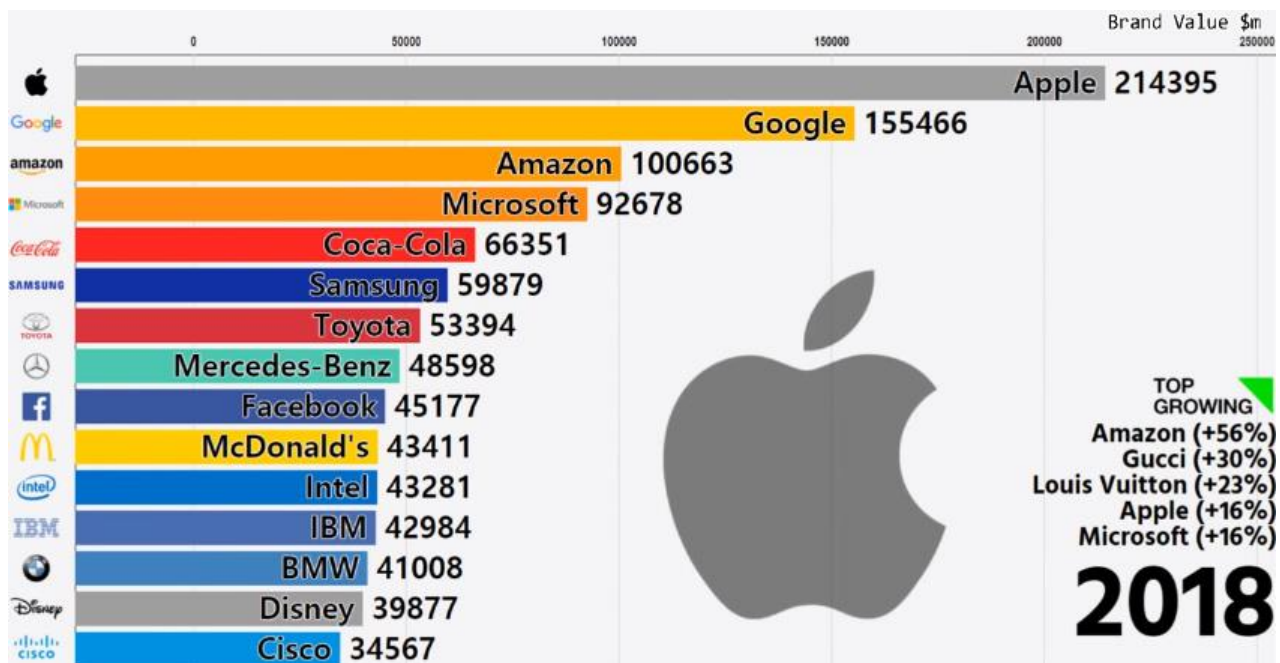


Figure 10. Top 15 Best Global Brands Ranking [11]

<https://www.visualcapitalist.com/animation-top-15-global-brands-2000-2018/>

Figure 10 says it all. We don't have the 2019 ranking finalized, but thinking of 2018, we can understand why Apple is so high on. We have Facebook up the ladder and Coca-Cola is down to the 5th position.

We can learn from all of these fluctuations. We can understand where the world is going and where the market is going.

Twitter has more than 330 million active users that have 500 million tweets (on a typical day). Facebook, during the last reported quarter, stated that 2.7 billion people were using at least one of the company's core products (Facebook, WhatsApp, Instagram, or Messenger) each month. Services such as YouTube, Flickr and MySpace have become a part of everyday routine. Social media is a rapidly evolving space with no definitive sense of what direction it may take.

The difference from what we had and what we have is the way the Marketer transmits the information and the emotion to the population [12]. The old fashion way was the first model: marketer transmitting info on each consumer. The new model is almost the same. Still, there is a big difference: one consumer can influence another and in a big way (figure 11). One consumer can influence 1000 or 1 million consumers. This is how we got the point where the world needs Influencers.

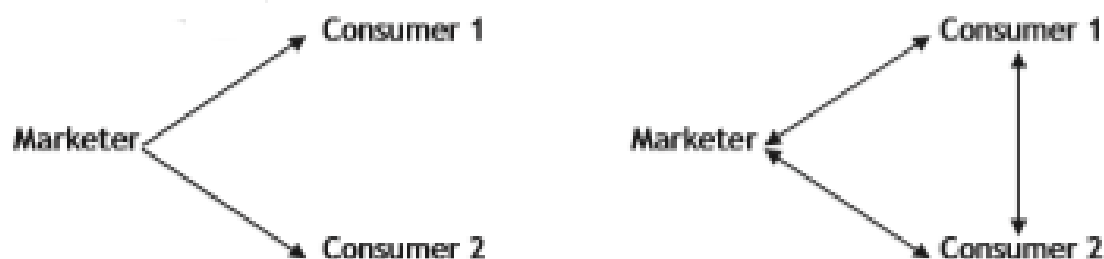


Figure 11. Communication model traditional vs. Social media [12] - Chiranjeev Kohli, Rajneesh Suri, Anuj Kapoor, Will social media kill branding?

The only way we can enjoy this new world is to accept the new paradigm. The marketplace has changed and we think that marketers thinking must change accordingly.

The social media logic has the next ground principles: programmability, popularity, connectivity and datafication [13]. These are also most important when it comes to the correlation between social media and the political scene and the market. The market and political scene are both growing when popularity is involved. Nowadays they are all connected with lots and lots of data. Although they don't seem to be programmable, they are. This is why the most important thing about today's trends get around big digital media databases. These databases gather info on everything and need artificial intelligence to make them useful.

CONCLUSIONS

In a world with more mobile phones than toothbrushes, consumers may use their power in social media to be more demanding of markets. Social media can make a difference between life and death for a brand. Even Warren Buffet bought Apple shares, although he did not understand it at first. He evolved, reading and trying to understand why is this new world so into Apple. And he scored. He scored big time as figure 10 shows. The key word is: adaptive.

Donald Trump is a brand, Klaus Iohannis is a brand, just like Coca Cola and Apple. They are all build also on social media. The truth percentage of this affirmation is rising more and more. Facebook CEO Mark Zuckerberg has already been in front of the USA congress a few times now. For now, he must face two broad components of Facebook's business: financial services and housing. And because the rise of social media got Facebook really high in the financial top of the world, they (Facebook) are working on Libra, their own cryptocurrency. They got critiques from lawmakers, but still, they are moving on with the project. This is another thing that interests the government.

Data engineering can bring together and explore massive sets of structured and unstructured data, data that may uncover hidden patterns. It can make new correlations, predict trends and help businesses grow as never before. We, humans, need to be creative and understand what the info is showing.

Social Media can inform people in a positive or negative way. These influences are dictated by those with well-defined goals regarding gaining the trust of the society. This is how the markets are moved, influenced by

The fact that people are getting more and more social and consuming these news, positive or negative, they stop here - they do not check their truthfulness, stopping at a single "face" of the story.

Social has become the most important place of assimilation and or consumption of information and therefore is influencing the political directions and the markets.

Social exposure is inevitable, either as an individual or as a company. If you do not appear in the feed, you do not exist. This is something that is already on the agenda of the most important leaders of the world. They are trying to adapt, maybe to control, but in the end, it seems that the world is getting more transparent and uncontrollable. Bad or good, history will say.

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